

2012 Deferred Compensation Plan Transition
Frequently Asked Questions – Updated 8/1/2012

(1) What will happen to my account with ING or ICMA?

Your investments in the ING or ICMA plan options will be transferred to the MNDCP over the Labor Day weekend. Details on the transfer process have been provided in a transition guide mailed in mid-July.

(2) I am an active employee. Can I leave my account with ING or ICMA?

No. Effective September 4, 2012, the MNDCP will be the only deferred compensation plan option available to City employees. All assets in the City's ING and ICMA plan options will automatically transfer to the MNDCP over the Labor Day weekend.

(3) I'm a former City employee. Can I leave my account with ING or ICMA?

As a former employee, you have the option to receive a distribution or to rollover your account to another qualified plan or an IRA. If you do not exercise one of the available options before August 20, 2012, your account will transfer to the MNDCP.

(4) What is a "blackout period" period?

This is the time needed by ING and ICMA to complete the final reconciliation for each participant's account in preparation for the transfer of assets to the MNDCP. During the blackout period, changes to your account (including distributions and transfers between funds) will not be allowed. The blackout period will begin at 3 p.m. Central time on August 24, 2012 and is scheduled to end at 8 a.m. Central time on September 5, 2012.

Note: Assets remain invested in the ING and ICMA accounts during the blackout period until they are sold at the close of the market on August 31, 2012. Proceeds from the sale of your ING and ICMA plan accounts will be invested in the MNDCP investment options at the closing price on September 4, 2012.

(5) How does the fund mapping process work?

Mapping is the process that determines how account balances and investment elections at ING and ICMA will transfer to investment options within MNDCP. Where there is a standard fund under MNDCP that is sufficiently comparable (based on fund strategy and objectives, underlying investments and long-term performance potential) to the fund you have at ING or ICMA, your account balance will be transferred or "mapped" to that fund. Where there is not a sufficiently comparable standard fund under MNDCP, your account balance will be transferred to the SIF Fixed Interest Account. The chart on pages 7 and 8 of the transition guide shows how your current account balance and future contributions will be invested in MNDCP.

Example:

August 31 st ING Account Balance	September 4 th MNDCP Account Balance
55% - ING Balanced Portfolio	55% - Vanguard Balanced Index Fund
45% - Fidelity® VIP Growth Portfolio	45% - Vanguard Institutional Index Fund

August 31 st ING Investment Election for Future Contributions	September 4 th MNDCP Investment Election for Future Contributions
50% - ING Balanced Portfolio	50% - Vanguard Balanced Index Fund
50% - Fidelity® VIP Growth Portfolio	50% - Vanguard Institutional Index Fund

(6) I would like my account with ING and/or ICMA invested in MNDCP funds other than those shown on the mapping chart on pages 7 and 8 of the transition guide. What are my options?

(a) Request a Plan-to-Plan transfer of all of your ING and/or ICMA account assets to MNDCP.

- You may make this change to your account by calling City Benefits at 612-673-3891 prior to August 15, 2012. City Benefits will provide you with the forms you will need to complete and provide to your current Plan provider by **August 20, 2012 at 3:00 P.M. Central time.**
- You will choose your own investment line-up at the MNDCP.

(b) Between now and August 24, 2012 (3 p.m. Central Time), which is when the transition to the MNDCP begins, change your investment elections at ING or ICMA. Your existing account balance and investment elections for future contributions will be “mapped” to MNDCP funds based on your new elections.

(c) If you are a former City employee, between now and August 20, 2012, you may also receive a distribution or rollover from your account to another qualified plan (other than the MNDCP).

(7) Who determined the mapping strategy?

City Finance employees working with a professional investment consultant developed the mapping strategy.

(8) I currently contribute to multiple plan options (the MNDCP, ING and/or ICMA). What will happen to my future contributions and my existing account balance at ING and/or ICMA?

Contribution amount: If you are contributing to multiple plans, your contribution amounts in effect on August 1st will be combined and the total will become the contribution amount to your MNDCP account.

Existing account balance: Your existing account balances in ING and ICMA will automatically be invested in the MNDCP funds as shown on the chart on pages 7 and 8 of the transition guide.

Investment options for future contributions: If you contribute to MNDCP and ING or ICMA, future contributions will be invested based on your current investment option election with MNDCP. If you contribute to ING and ICMA, future contributions will be invested based on your current investment option election with ING.

(9) Will I receive a confirmation that assets in my ING or ICMA account have been transferred?

In mid-October, you will receive a quarterly statement from ING and/or ICMA that reflects the transfer to MNDCP and shows an ending “\$0” balance. This indicates your account balance was transferred. Also in mid-October, MNDCP will send you a quarterly statement showing receipt of your ING and/or ICMA account balance.

After 8 a.m. Central time on September 5th, you can log into your MNDCP account online at www.msrs.state.mn.us or contact the MSRS Service Center 1-800-657-5757, option 3, to inquire about your balance transfer.

(10) Will I have online access to my account at MNDCP?

Yes. It is easy and convenient to access your account information online 24 hours a day, seven days a week. Other features of the online account include the ability to:

- Change contribution amount at any time.
- Execute financial trades or change your future contribution allocations.
- Track your account personal performance.
- Request a distribution from your MNDCP account (if eligible).
- Access an online Resource Center to help you become a more informed and confident investor.
- Access online calculators to help you make retirement planning decisions.
- Access on-demand statements for any date range.
- Obtain electronic delivery of paper statements and confirmations.

(11) When can I make changes to my MNDCP account?

You will be able to make changes to your MNDCP account beginning at 8:00 a.m. Central time on September 5, 2012. Changes can be made by logging into your MNDCP account online at www.msrs.state.mn.us or contacting the MSRS Service Center 1-800-657-5757, option 3.

(12) Will I lose money as a result of the conversion?

A redemption fee equal to 1% of any money invested after August 1st in the VT Fidelity Diversified International Fund at ICMA will be deducted from assets transferred to the MNDCP. Plan participants who could be affected by this redemption fee have received separate notifications. No other fees will apply to transferred funds.

(13) Will I be subject to taxes on my funds because of the transition?

No. The transfer does not result in taxation of amounts you have accumulated. Amounts will continue to be tax-deferred while they remain in the MNDCP.

(14) Do I have to provide any information to MNDCP?

Except for your beneficiary designation, all other information necessary for to set up your account at MNDCP will be transferred to from ING or ICMA to MNDCP. The beneficiary designation on your ING or ICMA account will not transfer to MNDCP. You should complete and return the *MNDCP Beneficiary Designation* form that was included with your transition guide. If you do not designate a beneficiary, upon your death your MNDCP account will automatically default to your spouse as sole primary beneficiary. If you do not have a current living spouse, a lump-sum payment will be made to your estate.

Because Plan providers keep records in slightly different formats, MNDCP may request you to confirm or update various data once the transfer is complete.

(15) I have a lot of money in a fixed income (stable value) account. Does the MNDCP have a similar account with similar investment returns?

Yes. MNDCP offers a fixed interest account that is invested in a well-diversified portfolio of high quality fixed income securities with strong credit ratings. Historical average annual returns, as published by the plan providers, for the MNDCP Fixed Interest Account, the ING Fixed Account and the ICMA-RC Vantage Trust PLUS Account are shown in the table below.

Funds	Average Annual Returns for the period ending 4/30/2012 (net of fund fees and expenses)			
	1 Year	3 Years	5 Years	10 Years
MNDCP - SIF Fixed Interest Account	3.21%	3.88%	4.22%	4.42%
ING - Fixed Account	3.01%	3.00%	3.05%	3.37%
ICMA-RC - VantageTrust PLUS Fund	2.77%	3.12%	3.70%	4.04%

(16) My current deferred compensation plan provider offers many investment options. How can MNDCP meet my investment objective if it offers only 11 core funds?

The 11 standard investment options offered through the MNDCP span the risk-return spectrum (i.e. various asset classes with different levels of risk are offered) so that you can build an appropriately diversified investment mix that helps you meet your retirement savings goals.

If you would like help managing a diversified portfolio throughout your career, you have the option of choosing to invest in a “target retirement date fund.” Investments in these funds become more conservative as the target retirement date approaches.

Finally, you have the option of placing some of your assets in mutual funds offered through a Self-Directed Brokerage Account. The brokerage account offers access to more than 13,000 different mutual funds.

(17) What is a target retirement date fund?

Each fund offers a diversified portfolio designed to manage risk and grow your investment. With the target retirement date option, you would choose the target date fund year that best meets your specific needs considering your total portfolio and personal circumstances. Most often, this will be the target date fund closest to your expected retirement date. Each fund is a pre-mixed portfolio of stocks and bonds or fixed income investments. A professional money manager selects and manages the right mix of investments based on the target retirement date and adjusts the portfolio over time becoming more conservative as the target retirement date approaches.

(18) What is a Self-Directed Brokerage Account?

MNDP provides a Self-Directed Brokerage (SDB) Account through TD AMERITRADE. The SDB Account allows you to select from over 13,000 mutual funds beyond MNDP’s regular fund offerings. Many of the mutual funds are offered as “no load” (meaning they do not incur an additional sales charge to purchase or redeem) or “low load” (meaning the sales charge is considered to be below-normal when compared to other mutual funds).

This account is for participants who understand the risks associated with many of the investments contained in the SDB account. There is a \$30 annual fee for the use of this service in addition to investment fees and expenses associated with the selected mutual funds.

(19) Can I invest only a portion of my account in the Self-Directed Brokerage Account?

The minimum transfer amount is \$500 and you must maintain a \$500 balance in the MNDP core investment options.

(20) What fees and commissions will apply to my MNDP account?

The MNDP annual administrative fee is only 0.05% of your account balance and is not charged on assets over \$100,000. The 0.05% administrative fee equals \$.50 for every \$1,000 invested. Since the fee is only assessed on account balances up to \$100,000, the maximum administrative fee is \$50 per year.

All investment options charge operating expenses. These fees pay for the trading and management expenses of the investment company. With over \$4 billion in assets, MNDP is able to offer fees that are lower than those charged by funds offering “retail” mutual funds. Operating expenses on MNDP investment options range from 0.01% - 0.92% or an average operating expense of 0.32%.

There are no commissions or hidden fees such as withdrawal charges, surrender fees, trading fees or account maintenance fees or commissions. However, some investment options may impose redemption fees. This is common in International funds to avoid market timing practices.

(21) Can I use any advisor I choose?

Any financial advisor could advise a participant on their SDB assets. However, ING Investment Advisors are the only advisors the MNDP offers through its Advice Service (see below for information).

(22) At MNDP, will I have access to representatives who will provide financial planning or investment advice?

MSRS representatives are available for individual meetings to review your account investment portfolio and for investment consultation. MSRS representatives can recommend an appropriate asset allocation strategy based on your personal investor profile. While MSRS representatives cannot provide investment advice, all

representatives are licensed by the Financial Industry Regulatory Authority (FINRA) to provide investment education.

MNDCP also has two advisor services to offer you additional support. Both services use information on file about your MNDCP account, pension benefit (if applicable), and Social Security to develop a retirement income projection for you. You are also encouraged to add more data to the analysis, such as other retirement savings accounts, to view your entire retirement picture.

Personal Online Advisor	Professional Account Manager
An interactive web-based service to help you actively manage your MNDCP account at no additional cost.	An advice service where you delegate management of your account to a professional advisor. A monthly fee will apply if you enroll in the program.
<ul style="list-style-type: none"> • Get advice about which investments to select. • Explore different contribution amounts, risk levels and goals. • Check back regularly to make sure you're on track. • Available at no additional cost. 	<ul style="list-style-type: none"> • A custom investment strategy and a <i>Personal Plan Preview</i> is created for you. • ING Investment Advisors enter investment transactions to put your strategy into action. • Professionals monitor your account, adjust your strategy as needed and send you progress reports. • The fee for this service is no more than 0.60% of your account balance per year.*

**The program fee is 0.60% of your managed account balance, deducted from your account. That's about \$5 a month for each \$10,000 in your account. Discounts apply for balances over \$50,000.*

(23) Why does the City have the authority to replace the existing providers and transfer assets to the MNDCP?

The City has responsibility for plan oversight. As the Plan Sponsor, the City has the obligation and authority to make necessary enhancements and adjustments including the selection of Plan providers.

(24) Why did the City decide to offer one deferred compensation plan provider?

As an employer offering a benefit program to our employees, it is our responsibility to review each plan's fees, investment options, and other plan details on a regular basis. Staff from Finance, Human Resources and City Attorney's Office jointly reviewed the City's deferred compensation plan structure and recommended that the City offer the Minnesota Deferred Compensation Plan (MNDCP) as the sole provider. The transition to MNDCP will reduce the City's need to provide costly plan administration while providing City employees with lower investment fee options.

(25) Why was MNDCP selected as the sole deferred compensation plan provider?

After an extensive review, City staff determined that MNDCP offers the most competitive fee structure overall, while still providing a wide range of investment options. Minnesota State Retirement System (MSRS), the administrators of the MNDCP, has a strong reputation for consistently demonstrating a high level of quality and service for Minnesota public employees. In addition, the Minnesota State Board of Investments (SBI) – the entity that will be managing the standard investment funds - has professional staff and extensive experience with investment fund selection and management.

(26) What is the relationship among the Minnesota State Retirement System, MNDCP and the SBI?

MSRS administers a number of retirement plans for Minnesota public employees including the MNDCP. The SBI acts as the plan investment fiduciary for the MNDCP and other MSRS plans. SBI is responsible for the fund lineup and for managing the investments within the MNDCP.

(27) When will I receive additional information?

In July, transition guides were mailed to participants in the ING or ICMA deferred compensation plan options. This guide contains detailed information regarding the transition to MNDCP, your options, and any action you may need to take. Participant seminars will be held at many City locations in July and August. The seminars will provide opportunities to learn more about the MNDCP and to discuss your options with an investment professional. If you have additional questions, please contact City of Minneapolis Benefits at (612) 673-3891 or benefits@minneapolismn.gov or MNDCP at (651) 296-2761.

(28) I will not be able to attend any of the educational seminars, are there other options?

If you have questions, please contact City of Minneapolis Benefits at (612) 673-3891 or benefits@minneapolismn.gov or MNDCP at (651) 296-2761.